

**Management Advisory Report: Progress Is
Being Made Toward Providing Specialized
Toll-Free Telephone Services to Small
Businesses and Self-Employed Taxpayers,
but Some Challenges Still Remain**

July 2002

Reference Number: 2002-30-119

This report has cleared the Treasury Inspector General for Tax Administration disclosure review process and information determined to be restricted from public release has been redacted from this document.



DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

INSPECTOR GENERAL
for TAX
ADMINISTRATION

July 2, 2002

MEMORANDUM FOR COMMISSIONER, SMALL BUSINESS/SELF-EMPLOYED
DIVISION

Scott E. Wilson

FROM: (for) Pamela J. Gardiner
Deputy Inspector General for Audit

SUBJECT: Final Management Advisory Report – Progress Is Being Made
Toward Providing Specialized Toll-Free Telephone Services to
Small Businesses and Self-Employed Taxpayers, but Some
Challenges Still Remain (Audit # 200130043)

This management advisory report presents the results of our review to determine whether the Small Business/Self-Employed (SB/SE) Division is successfully converting its toll-free telephone operations to the modernized operating model envisioned by the Customer Contact Center Optimization (CCCO) Project by effectively planning and managing the change. While the CCCO Project covered both toll-free and Automated Collection System (ACS)¹ customer contact centers, this review only considered issues related to the toll-free customer contact centers.

In summary, the Commissioner launched the CCCO Project in July 2000 to improve the quality of non-face-to-face communications between the Internal Revenue Service (IRS) and its customers through the consolidation and specialization of the toll-free workload. We found that progress is being made in modernizing the toll-free telephone operations to better serve small businesses and self-employed taxpayers. Although the complete implementation of the CCCO recommendations will not be achieved as quickly as originally planned, the SB/SE Division is effectively planning and managing the transition to the new operating model through the oversight provided by its Program Management Office.

¹ The ACS is the computer system that controls the inventory of delinquent accounts and delinquent returns.

Several key human capital, technological, and program management challenges need to be addressed if all of the anticipated benefits of the CCCO recommendations are to be fully realized. These challenges include:

- Accurately identifying the knowledge deficiencies and training gaps within the new specialized cell structure.²
- Timely delivering the necessary training.
- Effectively ensuring that the appropriate balance between specialization and pooling is achieved to provide both operating efficiency and quality service.
- Deploying the planned account-based call routing technology.
- Looking for multi-media improvement opportunities to meet the increasing customer demand for alternatives to the telephone.
- Developing separate performance measures to ensure that small businesses and self-employed taxpayers are receiving a level of service and a quality of service that is commensurate with that provided to other taxpayers.

Since we made no formal recommendations, a response to this report was not required. However, in the SB/SE Division, the Chief, Program Management/Process Assurance Office, the Chief, Joint Operations Center Representative, and the Program Management Officer, Customer Accounts Services, reviewed a draft version of the report and concurred with our results. Copies of this report are also being sent to IRS officials who are affected by the report.

Please contact me at (202) 622-6510 if you have questions or Gordon C. Milbourn III, Assistant Inspector General for Audit (Small Business and Corporate Programs), at (202) 622-3837.

Attachment

² The customer contact centers were specialized by skill-based “telephone cells” (e.g., workload groupings).

**Management Advisory Report: Progress Is Being Made Toward Providing Specialized
Toll-Free Telephone Services to Small Businesses and Self-Employed Taxpayers,
but Some Challenges Still Remain**

Table of Contents

Background	Page 1
The Small Business/Self-Employed Division Is Making Progress Toward Toll-Free Specialization	Page 3
Several Challenges Must Be Addressed to Fully Realize the Anticipated Benefits of Toll-Free Specialization.....	Page 4
Appendix I – Detailed Objective, Scope, and Methodology	Page 15
Appendix II – Major Contributors to This Report.....	Page 18
Appendix III – Report Distribution List	Page 19

Management Advisory Report: Progress Is Being Made Toward Providing Specialized Toll-Free Telephone Services to Small Businesses and Self-Employed Taxpayers, but Some Challenges Still Remain

Background

The Internal Revenue Service (IRS) provides a toll-free telephone system that taxpayers can call to ask tax law questions and/or discuss various tax account-related issues. The IRS' toll-free system provides both automated services and "live assistance" by Customer Service Representatives (CSR) that are located in 26 geographically-dispersed customer contact centers¹ throughout the United States and Puerto Rico. The IRS uses an intelligent call routing system and other technology to link the 26 sites into a single "virtual" call center, in which each call is routed to the next available agent with the appropriate skills to capably handle the call, regardless of where the agent is located.

During Fiscal Year (FY) 2001, the IRS received almost 161 million calls on its customer service toll-free lines. The IRS' total costs for providing toll-free telephone services during FY 2001 were estimated to be at least \$627 million.²

Creating a modernized IRS has been a top priority of the Commissioner, as well as a principal focus of Congressional oversight. The IRS Restructuring and Reform Act of 1998³ legislated the modernization of the IRS, and also mandated that the IRS do a better job in meeting the needs of taxpayers. In addition to implementing new computer systems and technology, the organizational structure of the IRS has been modernized to follow proven examples of "best practices" from the private sector. The most significant change to the IRS' organization structure was the creation of four business operating divisions⁴ that will each

¹ The IRS' customer contact centers consist of 26 centers that include toll-free and/or Automated Collection System (ACS) functions and one center that includes only the ACS function. The ACS is the computer system that controls the inventory of delinquent accounts and delinquent returns.

² Treasury Inspector General for Tax Administration report titled, *Management Advisory Report: The Estimated Cost of the Internal Revenue Service's Toll-Free Telephone Service Exceeds \$600 Million* (Reference Number 2001-30-139, dated August 2001).

³ Pub. L. No. 105-206, 112 Stat. 685 (1998).

⁴ The IRS' four new operating divisions are the Large and Mid-Size Business Division, the Small Business/Self-Employed (SB/SE) Division, the Tax Exempt and Government Entities Division, and the Wage and Investment (W&I) Division.

Management Advisory Report: Progress Is Being Made Toward Providing Specialized Toll-Free Telephone Services to Small Businesses and Self-Employed Taxpayers, but Some Challenges Still Remain

serve a distinct group of taxpayers. One of these, the SB/SE Division, serves about 7 million small businesses, including corporations and partnerships with assets under \$10 million, and approximately 33 million individuals that are fully or partially self-employed.

The Commissioner launched the Customer Contact Center Optimization (CCCO) Project in July 2000. The mission of the CCCO Project was to improve the quality of non-face-to-face communication between the IRS and its customers through the consolidation and specialization of the toll-free telephone workload.

In this review, we determined the status of the implementation of the Toll-Free Vision of the CCCO Project, and evaluated the readiness of the customer contact centers to handle tax law questions and account inquiries from small businesses and self-employed taxpayers during the 2002 Filing Season.⁵ While the CCCO Project covered both toll-free and ACS customer contact centers, this review only considered issues related to the toll-free customer contact centers.⁶

We conducted the review at the SB/SE Division's Program Management Office (PMO)⁷ and the Customer Contact Center in Ogden, Utah, and at the SB/SE Division's Program Management/Process Assurance (PM/PA) Office⁸ in Oakland, California, from November 2001 through March 2002. The review was performed in accordance with the President's Council on Integrity and Efficiency's *Quality Standards for Inspections*. Detailed information on our objective, scope, and methodology is presented in

⁵ The Filing Season is the period from January through mid-April when most individual income tax returns are filed.

⁶ Another current Treasury Inspector General for Tax Administration audit (*An Assessment of the IRS's Management of Risks Associated With the CCCO-ACS Initiative* [Audit # 200130046]) is addressing the ACS issues.

⁷ The PMO was set up to manage the implementation of the CCCO Project within the SB/SE Division.

⁸ The PM/PA Office monitors the Toll-Free Program and other IRS programs.

Management Advisory Report: Progress Is Being Made Toward Providing Specialized Toll-Free Telephone Services to Small Businesses and Self-Employed Taxpayers, but Some Challenges Still Remain

The Small Business/Self-Employed Division Is Making Progress Toward Toll-Free Specialization

Appendix I. Major contributors to the report are listed in Appendix II.

The SB/SE Division is making progress in modernizing its toll-free telephone operations to better meet the needs of small businesses and self-employed taxpayers. In October 1999, the IRS officially designated 13 of its 26 customer contact centers as SB/SE Division sites, as the first step toward restructuring the toll-free telephone operations by customer segment. In addition, two phases of the CCCO Project had been completed at the time of our review.

Phase I, completed in December 2000, included the development of the vision and the performance of the high-level planning for the new toll-free operating model. This phase also established a timeline that projected the implementation of the new specialized toll-free cell structure⁹ by January 1, 2002.

Phase II, which involved a detailed blueprinting of the new toll-free operating model, was completed in June 2001. Phase II resulted in recommendations to:

- Realign the workload at certain call sites.
- Specialize the CSR workload into six skill-based telephone cells.¹⁰
- Develop a Competency Assessment Battery (CAB) to assess the technical knowledge of the CSRs and, in turn, their training needs.
- Implement the Data Directed Routing (DDR) of the incoming telephone calls to specialized CSRs.

Phase II changed the timeline for completing the implementation of the new toll-free cell structure from January 2002 to December 2003.

⁹ The customer contact centers were specialized by skill-based “telephone cells” (e.g., workload groupings).

¹⁰ Three of the six cells relate to business taxpayer issues. For example, telephone cell five would include complex business calls dealing with estimated taxes and small business issues.

Management Advisory Report: Progress Is Being Made Toward Providing Specialized Toll-Free Telephone Services to Small Businesses and Self-Employed Taxpayers, but Some Challenges Still Remain

Phase III, which involves site-level implementation of the CCCO recommendations, was underway at the time we completed our review. Phase III is being managed by the PMO that was established in April 2001 to take over for the CCCO Design Team. The PMO has effectively taken steps to manage and track progress of the implementation of the CCCO recommendations. To assist in the implementation, a technology consulting team¹¹ is supporting the PMO.

The site consolidation and toll-free specialization are both on target with the current implementation time frame. For example, the consolidation of four sites with combined toll-free and ACS functionality to four sites with only toll-free functionality has been partially completed.¹² At the time we completed our review, the transition to the new cell structure was still being planned. The work that remained to move to the new cell structure was being identified and analyzed. Each site had a different implementation schedule based on the preparedness of their personnel.

Several Challenges Must Be Addressed to Fully Realize the Anticipated Benefits of Toll-Free Specialization

The SB/SE Division is effectively planning and managing the transition to the new operating model through the oversight provided by its PMO. While progress is being made toward providing specialized telephone services to small businesses and self-employed taxpayers, the IRS must address a number of human capital, technological, and program management challenges to successfully complete the implementation of the CCCO recommendations and achieve all of the anticipated benefits of the CCCO toll-free vision.

Knowledge deficiencies and training gaps within the new specialized cell structure have not yet been accurately identified

A guide¹³ for Federal agencies issued by the General Accounting Office states that all human capital policies

¹¹ Booz Allen Hamilton.

¹² Site consolidation was completed for two sites and is scheduled for completion by July 2002 in two other sites.

¹³ *Human Capital: A Self-Assessment Checklist for Agency Leaders* (GAO/OCG-00-14G, dated September 2000).

Management Advisory Report: Progress Is Being Made Toward Providing Specialized Toll-Free Telephone Services to Small Businesses and Self-Employed Taxpayers, but Some Challenges Still Remain

should be designed, implemented and assessed by the standard of how well they help the organization achieve its shared vision. In the workforce area, critical issues of recruiting and hiring, training and professional development, and workforce deployment are key human capital challenges.

While the CCCO initiative is designed to address these issues, considerable implementation challenges remain. Overcoming these challenges is vital to the ultimate success of the CCCO vision.

The training of CSRs is one of these human capital challenges, and is critical to the success of the toll-free cell structure implementation. The CSRs will require new training and/or retraining to handle the work of the cell to which they will be assigned. Training curriculums for each cell must be sufficient to provide CSRs with the right level of information needed to handle the workload for each cell.

Prior to the CCCO specialization, business account inquiries were answered at 24 W&I Division and SB/SE Division sites. When the CCCO specialization is completed, business account calls will be worked at only six SB/SE Division sites. Similarly, tax law questions involving businesses were previously answered at as many as 10 W&I Division and SB/SE Division sites. When the CCCO specialization is completed, business tax law calls will be worked at only five sites. Although each of these sites previously handled these types of calls, it will be necessary to provide business tax law training to those CSRs who previously worked only W&I Division inquiries.

To assess site readiness, individual cell and site proficiencies needed to be determined. The CAB is a comprehensive multiple-choice instrument that was designed to assess the technical knowledge of each CSR and to identify their training needs. The CAB consists of six modules that correspond to the new specialized telephone cell structure. The CAB was designed to address the issues that CSRs typically encounter when serving taxpayers and covers areas of knowledge that are relevant to the full range of customer service functions and assignments. The CAB is

Management Advisory Report: Progress Is Being Made Toward Providing Specialized Toll-Free Telephone Services to Small Businesses and Self-Employed Taxpayers, but Some Challenges Still Remain

most critical for those CSRs whose role is changing as a result of the new cell structure.

At the time we completed our review, the CAB had been tested at two sites and the results had been shared with employees. The National Treasury Employees Union (NTEU) and the IRS' Strategic Human Resources function developed and administered a follow-up survey to solicit feedback from the employees regarding the assessment process. These results will be shared with IRS executive management and the NTEU.

The CAB was not available to the Accounts Management and PM/PA staff during August 2001 when they had to assess the skill levels of their CSRs according to the CCCO toll-free structure. As a result, the SB/SE Division developed an alternative plan to assess the skill levels of all CSRs (as of August 2001) and to project the anticipated skill levels of the CSRs through September 2002, as a method of tracking each site's progression toward the CCCO end-state recommendations.

Under this alternative plan, the sites were instructed to use any data available, including local reports, to most accurately assess the highest skills of their employees based on the toll-free applications that they have previously worked and on prior training. Because this assessment was, in effect, based on determining each CSR's previous experience and prior training rather than measuring their technical proficiency, any training needs in fitting the CSRs into the new specialized toll-free cell structure may not have been accurately identified.

To achieve the CCCO vision, the workforce skills need to be accurately assessed so that CSR skills can be developed to match the business vision needs. While the SB/SE Division recognizes this challenge, prompt resolution is critical to timely CCCO implementation.

The IRS will be challenged to timely deliver all of the required training in the new specialized cell structure

The conversion from the current toll-free model to the CCCO vision requires extensive CSR training. However,

Management Advisory Report: Progress Is Being Made Toward Providing Specialized Toll-Free Telephone Services to Small Businesses and Self-Employed Taxpayers, but Some Challenges Still Remain

less than half of the estimated training requirements will be accomplished by the end of FY 2002.

After allowing for new employee training, an estimated 189,000 hours were available in the FY 2002 work plan for moving employees into the new specialized cell structure. However, to have the CSRs trained according to the new structure, 324,000 hours of additional training will be needed beyond FY 2002. Thus, approximately 513,000 hours of training are needed for the initial conversion. The implementation team estimated that training will be delivered by October 1, 2003.

Because of the complexity of the tax law, the training to handle business calls is extensive. For example, a new CSR hired to answer business tax law questions would be required to complete nearly 800 hours (approximately 20 weeks) of training in individual tax accounts, individual tax law, and business tax law.¹⁴ A new CSR would also be required to work with an on-the-job coach for several weeks, as well as receive telephone skills training. To have a new CSR fully ready to handle taxpayer calls by the beginning of the filing season, it would be necessary to complete the hiring process several months in advance. An implementation team is analyzing the training curriculum for ways to expedite the process by eliminating any redundant material.

In October 2001, the PM/PA Staff analyzed the skill assessments provided by the call sites and tracked the sites' progression toward the CCCO end-state recommendations that are scheduled for full implementation by FY 2004. Overall, the 13 SB/SE Division sites ranged from 55 percent to 100 percent aligned with the new cell structure for the 2002 Filing Season that began in January 2002. Five of these 13 sites were less than 90 percent aligned with the CCCO end-state cell structure. Some of the reasons that sites were unable to meet their staffing needs in the 2002

¹⁴ The training curriculum developed by the CCCO team consisted of 373 hours of basic income tax law and individual tax accounts, and 408 hours of SB/SE Division advanced tax law. The training would not necessarily be offered in consecutive weeks.

Management Advisory Report: Progress Is Being Made Toward Providing Specialized Toll-Free Telephone Services to Small Businesses and Self-Employed Taxpayers, but Some Challenges Still Remain

Filing Season were late hiring, the inability to fill CSR positions, the large amount of crossover training requirements, not having enough coaches for the trainees, and the loss of skilled CSRs to other jobs at the call site location.

The PMO has recognized the challenges presented in recruiting, hiring and training CSRs. Some possible solutions being evaluated include moving up the hiring dates for CSRs by several months, identifying ways to reduce CSR attrition, and changing training delivery methods. Solving these challenges is critical to successfully implementing the CCCO vision and providing timely, quality customer service.

Management needs to ensure an appropriate balance between specialization and pooling is achieved

Another human capital area that challenges the CCCO implementation is workforce deployment. Managing call centers is a difficult challenge that involves forecasting call demand down to half-hour increments, determining staffing requirements to meet the forecast demand, scheduling the resources, and getting the right assistors in the right places at the right times. This challenge is especially difficult at the IRS because of the annual call volume, the significant peak in call volume that occurs during the Filing Season, and the wide range of knowledge required as a result of complex tax laws.

The IRS' toll-free specialization vision is to provide expertise to callers by grouping its CSRs into six skill-based cells. The CSRs will be trained and/or retrained to handle one or more applications within the cell to which they are assigned. The skill-based routing will match each caller with a CSR who has the skills to handle the call.

The potential benefits of specialization are that assistors develop a proficiency in handling certain types of calls that will result in a lower average handle time,¹⁵ a higher first

¹⁵ The sum of the average time the CSR spends talking with the taxpayer and completing any needed actions after the call.

Management Advisory Report: Progress Is Being Made Toward Providing Specialized Toll-Free Telephone Services to Small Businesses and Self-Employed Taxpayers, but Some Challenges Still Remain

call resolution, and better customer satisfaction. Specialization also ultimately results in lower training costs.¹⁶ Although there are significant benefits associated with specialization, the pattern of incoming calls must match the new workforce deployment structure for it to be most effective.

One of the characteristics of the best managed call centers is that they find the right balance between specialization and pooling, and that they get as close to the pooled end of the spectrum as possible.¹⁷ The pooling principle is a fundamental tenet in the call center industry which states, “Any movement in the direction of consolidation of resources will result in improved traffic-carrying efficiency.” Under the pooling principle, a more efficient call center environment is created by taking several small, specialized groups, cross-training them, and putting them into a single group.¹⁸ The potential benefits of pooling are a higher level of service,¹⁹ a lower average speed of answer, and a higher CSR occupancy rate.^{20 21}

As the new cell structure is rolled out, IRS management will need to carefully monitor call center performance measures to ensure that it has achieved the right balance between specialization and pooling to provide both operating efficiency and quality service.

The new call routing technology may not be implemented as originally planned

In a call center environment, technology, workforce management and cell structure design need to be aligned to

¹⁶ Dr. Vijay Mehrota, guest commentary for Purdue University’s Center for Customer Driven Quality at http://www.cfs.purdue.edu/conscript/CCDQ/guest_3.html (last updated March 15, 2000).

¹⁷ Brad Cleveland and Julia Mayben, *Call Center Management on Fast Forward: Succeeding in Today’s Dynamic Inbound Environment* (Annapolis: Call Center Press 1997), 241-242.

¹⁸ Cleveland and Mayben, 138-139.

¹⁹ The percentage of incoming calls that are answered.

²⁰ The percentage of time that CSRs spend handling calls versus waiting for calls to arrive.

²¹ Dr. Vijay Mehrota, guest commentary.

Management Advisory Report: Progress Is Being Made Toward Providing Specialized Toll-Free Telephone Services to Small Businesses and Self-Employed Taxpayers, but Some Challenges Still Remain

achieve efficiency. To help align these, the IRS tasked the Modernization Program contractor²² to develop an account-based call routing capability to route calls to the new specialized cells developed by the CCCO Project. The account-based routing and the infrastructure to support it were referred to as DDR.

Under the planned DDR technology enhancement, callers who select certain menu options²³ would be asked to enter their Taxpayer Identification Numbers (TIN)²⁴ on the telephone keypad. The TIN would be used to search the IRS' database and automatically route the call, according to the caller's individual account information, to automated applications (for those that can be handled in automation), or to a specialized CSR in a skill-based group. Under the CCCO toll-free vision, business callers entering the DDR with account activity will be routed to sites specializing in one of the three SB/SE Division toll-free telephone cells.

The deployment of the DDR was originally planned for December 1, 2001, as part of the Customer Communications Project FY 2002 (CC02) Release. However, it was subsequently determined that implementing the original DDR design would require significant development costs due to major changes in the current infrastructure.

As a result, Enhanced Call Routing (ECR) was implemented in January 2002 as a temporary alternative to DDR. The ECR is designed to provide much of the call routing functionality envisioned with DDR in that it identifies taxpayer issues early in the call, and routes the call to the appropriate application²⁵ in alignment with the CCCO vision.

²² Computer Sciences Corporation is the private sector contractor selected by IRS to manage the modernization program.

²³ Inquiries about the status of a tax refund or questions about a notice, letter or bill received from the IRS.

²⁴ A Social Security Number (SSN) or Employer Identification Number (EIN) would be required for self-employed taxpayers, and an EIN would be required for partnerships and corporations.

²⁵ An application is a category of calls determined by similar customer issues (e.g., the customer is unable to pay the taxes due on the return).

Management Advisory Report: Progress Is Being Made Toward Providing Specialized Toll-Free Telephone Services to Small Businesses and Self-Employed Taxpayers, but Some Challenges Still Remain

While ECR is designed to deliver many of the anticipated benefits of the DDR through incremental changes to existing systems, there are limitations for business taxpayers. When the taxpayer enters an EIN as their TIN, for example, the ECR routes the call based on the business operating division involved, the telephone number dialed by the taxpayer, and responses to script questions.²⁶ The ECR then routes the call to the most appropriate application based on the caller's input rather than the caller's account information.

As a result, approximately 3.7 million potential callers with an EIN that have specific account-related questions may need to self-select their own call routing criteria using a telephone script. This increases the chance for routing mistakes and leads to less efficient call handling. More importantly, the ECR will not have the ability to segregate toll-free calls from ACS calls. As a result, business taxpayers with delinquent tax or delinquent return issues that call the toll-free line will not automatically be routed to CSRs at one of the IRS' designated ACS sites.

In November 2001, a Customer Communications Engineering Study Team completed a tactical comparison of the functionality of the ECR and the DDR. The study team concluded that the ECR is in alignment with CCCO and provides nearly all of the call routing functionality expected in the DDR. The study team also concluded that the limitations with the ECR approach would be better addressed in the context of an overall Next Generation Customer Contact Architecture. The gaps between the ECR and the DDR will be addressed over time as computer systems are reengineered or replaced. At the time we completed our review, IRS management had not made a final decision on the eventual implementation of the full DDR design.

Aligning the call routing technology with the cell design structure is critical for efficient call handling. The CCCO

²⁶ Script questions are prerecorded statements that require taxpayers to make certain selections before speaking with a CSR.

Management Advisory Report: Progress Is Being Made Toward Providing Specialized Toll-Free Telephone Services to Small Businesses and Self-Employed Taxpayers, but Some Challenges Still Remain

design is predicated on these two elements operating in tandem. This challenge needs to be evaluated to ensure the ECR solutions achieve efficiency.

Customer Contact Center improvement opportunities should not be limited to the toll-free telephone system

In another technology-related challenge, the CCCO needs to consider expanding from a focus on toll-free telephone services to offering multimedia technology. To improve the quality of non-face-to-face communications between the IRS and its customers, the CCCO team developed recommendations that specifically focused on the toll-free telephone operations. As IRS management continues their efforts to modernize the customer contact centers and improve the services provided to small businesses and self-employed taxpayers, they would be prudent to also look for other multimedia improvement opportunities to meet the increasing customer demand for alternative communication channels to the telephone.

Throughout the customer service industry, studies show that new channels of communications, such as e-mail and Internet interactions, are rapidly surpassing the telephone as the preferred communication medium of customers. While the IRS does offer some Internet-based services, there are expansive opportunities to provide customers with their preferred contact choice.

Performance measures for telephone services provided to small businesses and self-employed taxpayers need to be separated from those for other taxpayers

One of the basic concepts of the CCCO design is to route calls to a CSR that is specifically trained to handle the call. This design concept is in concert with the IRS' reorganization around taxpayer segments. In the current toll-free environment, taxpayer service measures are at the overall IRS-wide level. With the current design of the toll-free

Management Advisory Report: Progress Is Being Made Toward Providing Specialized Toll-Free Telephone Services to Small Businesses and Self-Employed Taxpayers, but Some Challenges Still Remain

telephone organization, it is not feasible to split measures between the SB/SE and W&I Divisions.²⁷

However, with the CCCO implementation, separate measures become essential. One of the IRS' guiding principles to achieving its strategic goals is the alignment of performance measures under the modernized organizational structure. Strict lines of accountability are needed to ensure that IRS is achieving its mission to provide service to all taxpayers.

Challenges to separating the measures between the SB/SE and W&I Divisions do remain. Although the IRS has designated its 26 customer contact centers as either SB/SE Division sites or W&I Division sites, the individual sites continue to handle calls from both customer segments. For example, 9 of the 13 SB/SE Division call sites were scheduled to answer account calls from both individual and business taxpayers during the 2002 Filing Season. In addition, 4 of the 13 SB/SE Division call sites are still scheduled to answer both individual and business account calls after the projected end of the CCCO Project in 3 years. Similarly, 5 of 8 SB/SE Division remote call sites are scheduled to answer both individual and business tax law questions during the Filing Season and after the projected end of the CCCO Project in 3 years.

To remedy this situation, we were advised that the IRS is considering a long-term strategy to provide separate toll-free numbers for the customer segments serviced by the two business operating divisions. Regardless of which solution the IRS chooses for this challenge, there are significant benefits to be achieved. Separate measures would enable the IRS to determine whether it is providing a level of service and quality of service to small businesses and self-employed taxpayers that is comparable to the services

²⁷ This report covers the toll-free lines for tax law and account calls. We were informed that there are separate measures for calls to the toll-free line for EIN applications.

Management Advisory Report: Progress Is Being Made Toward Providing Specialized Toll-Free Telephone Services to Small Businesses and Self-Employed Taxpayers, but Some Challenges Still Remain

provided to individual taxpayers. At the same time, separate measures would identify improvement opportunities so that taxpayers could be better served.

Management Advisory Report: Progress Is Being Made Toward Providing Specialized Toll-Free Telephone Services to Small Businesses and Self-Employed Taxpayers, but Some Challenges Still Remain

Appendix I

Detailed Objective, Scope, and Methodology

Our objective was to evaluate whether the Small Business/Self-Employed (SB/SE) Division is successfully converting its customer contact centers to the modernized operating model envisioned by the Customer Contact Center Optimization (CCCO) Project by effectively planning and managing the change. While the CCCO Project covered both toll-free and Automated Collection System (ACS)¹ customer contact centers, this review only considered issues related to the toll-free customer contact centers.

To meet this objective, we:

- I. Determined whether the workload was successfully split between the SB/SE and Wage and Investment (W&I) Divisions' customer contact centers, the SB/SE Division customer contact centers were dedicated to handle specific types of work, and there were a sufficient number of adequately trained Customer Service Representatives (CSR) who were specialized in specific areas of expertise.
 - A. Evaluated the status of the implementation of the Toll-Free Vision of the CCCO Project regarding the workload consolidation, where business tax law and business account inquiries would be worked by designated SB/SE Division customer contact centers instead of the combination of the SB/SE and W&I Divisions' customer contact centers, and the workload specialization into three skill-based telephone cells² for business taxpayers.
 - 1. Reviewed CCCO Project documents to determine if the goals and objectives were clear, and if schedules, benchmarks, and deadlines had been clearly stated.
 - 2. Determined whether there was a model of the processes that were reengineered and whether there were performance data (e.g., timelines, etc.) established for the activities.
 - 3. Determined whether there was prototyping or limited pilot testing performed to determine the feasibility of the new processes.
 - 4. Determined whether changes were identified to job descriptions, skill assessments, and training.

¹ The ACS is the computer system that controls the inventory of delinquent accounts and delinquent returns.

² The customer contact centers were specialized by skill-based "telephone cells" (e.g., workload groupings).

Management Advisory Report: Progress Is Being Made Toward Providing Specialized Toll-Free Telephone Services to Small Businesses and Self-Employed Taxpayers, but Some Challenges Still Remain

5. Evaluated whether risk factors were identified with the new processes and determined how these risks were being monitored.
 6. Determined whether there was an implementation plan that identified the tasks and time periods for an orderly transition.
 - a) Determined whether the plan assigned roles and responsibilities for the implementation.
 - b) Determined the type of training programs developed and evaluated how these courses relate to the CCCO cell specialization.
 - c) Evaluated the method for scheduling and delivering the specialized training for the CSRs at the 13 SB/SE Division customer contact centers.
 7. Determined whether the benefits of specialization and the pooling principle were evaluated.
 8. Evaluated whether the CCCO Project examined multimedia improvement opportunities.
 9. Evaluated the plan or process that management had used to communicate change to the staff and to provide for periodic assessments of employees' needs, concerns, and reactions.
 10. Evaluated whether performance measures were in place to assess the new process and whether they were linked to the strategy of reducing taxpayer burden.
 - a) Compared the Fiscal Year (FY) 2002 IRS Annual Performance Plan (which showed the anticipated combined FY 2002 increases in the volume of calls received by the W&I and SB/SE Divisions, the level of service, and tax law and toll-free account quality) to measures shown in Joint Operations Center (JOC) reports.
 - b) Analyzed JOC reports by CSR groups and other definers to determine whether there was an acceptable method of tracking SB/SE Division inquiries.
- B. Evaluated the 2002 Filing Season³ readiness of the 13 SB/SE Division customer contact centers to handle business tax law and account inquiries regarding the areas of workload alignment, CSR specialization, and CSR training.

³ The Filing Season is the period from January through mid-April when most individual income tax returns are filed.

Management Advisory Report: Progress Is Being Made Toward Providing Specialized Toll-Free Telephone Services to Small Businesses and Self-Employed Taxpayers, but Some Challenges Still Remain

1. Interviewed management and reviewed staffing schedules and other reports to determine the extent of the workload alignment at the SB/SE Division customer contact centers.
 2. Interviewed management and reviewed staffing schedules and other reports to determine the extent to which the CSR specialization had been achieved.
 3. Reviewed work plans to identify the training scheduled for newly hired CSRs at the 13 SB/SE Division customer contact centers.
 4. Identified the training scheduled for existing CSRs at the 13 SB/SE Division customer contact centers, evaluated the method used to determine their existing skills, and evaluated the method used to certify that they will be qualified to answer business inquiries.
- II. Determined whether the SB/SE Division had effectively achieved call routing to its dedicated customer contact centers that handle specific types of work.
- A. Evaluated the status of the implementation of the Data Directed Routing (DDR) from the CCCO Project regarding the features that were to be available at the start of the 2002 Filing Season and the features that would be available at a later time.
 - B. Evaluated the features of the Enhanced Call Routing (ECR) that was implemented in place of the DDR.
 - C. Reviewed documentation that compared the features of the ECR and the DDR to determine the call routing functionality that would not be available to business taxpayers under the ECR.

Management Advisory Report: Progress Is Being Made Toward Providing Specialized Toll-Free Telephone Services to Small Businesses and Self-Employed Taxpayers, but Some Challenges Still Remain

Appendix II

Major Contributors to This Report

Gordon C. Milbourn III, Assistant Inspector General for Audit (Small Business and Corporate Programs)

Philip Shropshire, Director

William E. Stewart, Audit Manager

Robert A. Nicely, Senior Auditor

Marjorie A. Stephenson, Auditor

Management Advisory Report: Progress Is Being Made Toward Providing Specialized Toll-Free Telephone Services to Small Businesses and Self-Employed Taxpayers, but Some Challenges Still Remain

Appendix III

Report Distribution List

Commissioner N:C
Deputy Commissioner N:DC
Deputy Commissioner, Small Business/Self-Employed Division S
Director, Customer Account Services, Small Business/Self-Employed Division S:CAS
Chief, Joint Operations Center Representative, Small Business/Self-Employed Division
S:CAS:AM:JO
Chief, Program Management/Process Assurance Office, Small Business/Self-Employed
Division S:CAS:AM
Program Management Officer, Customer Account Services, Small Business/Self-Employed
Division S:CAS:PMO
Chief Counsel CC
National Taxpayer Advocate TA
Director, Legislative Affairs CL:LA
Director, Office of Program Evaluation and Risk Analysis N:ADC:R:O
Office of Management Controls N:CFO:F:M
Audit Liaisons:
Commissioner, Small Business/Self-Employed Division S
Director, Customer Account Services, Small Business/Self-Employed Division S:CAS